

Health Benefit Exchange Planning

Wyoming

August 18, 2011

PCG Agenda

Introduction of Public Consulting Group

Session 1:

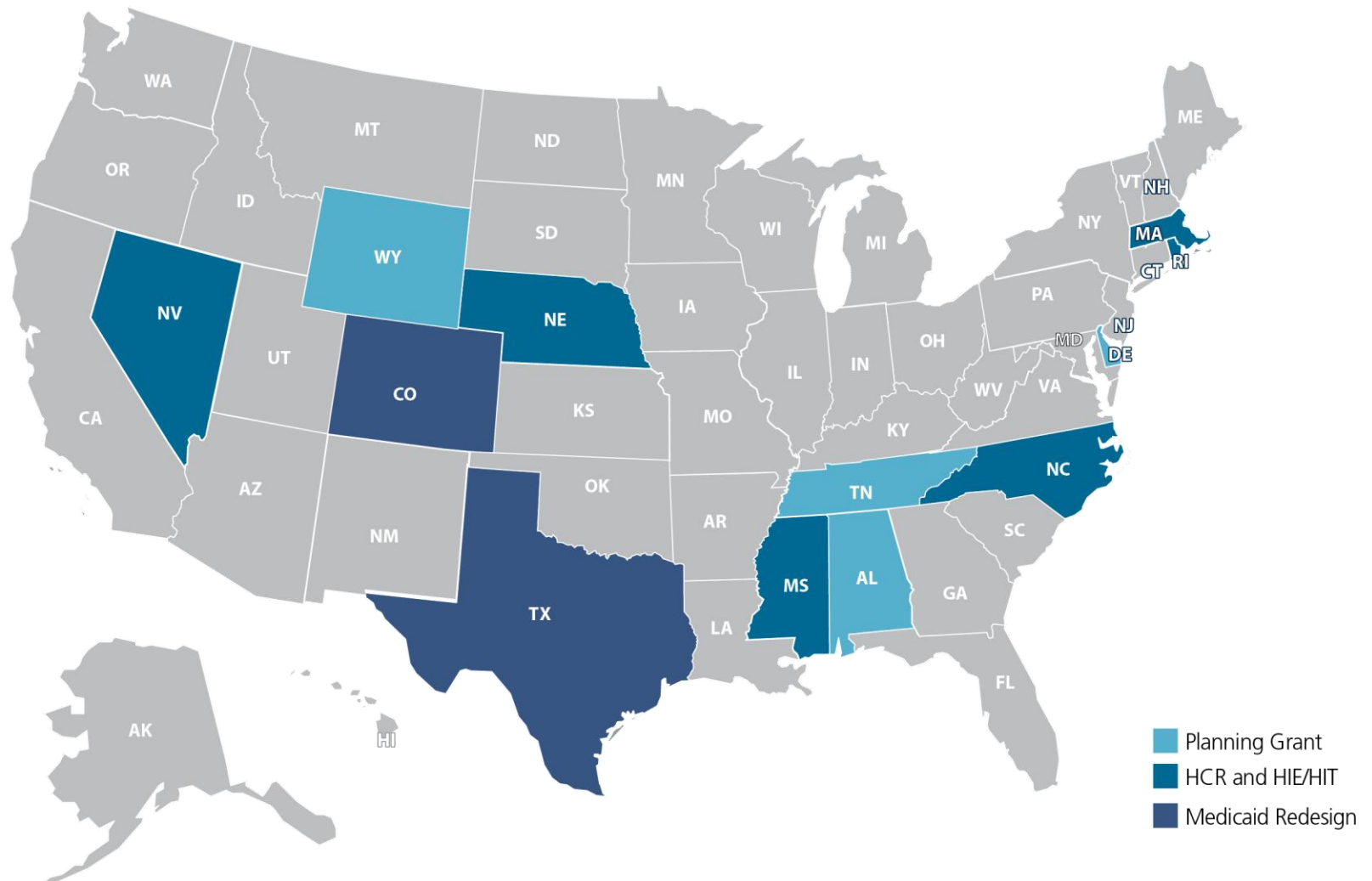
- Exchange Administration Options
- Exchange Governance Options
- Exchange Resources and Capabilities
- Discussion

Session 2:

- Exchange Risk Pool Sustainability
- Exchange Financial Sustainability
- Discussion

Public Consulting Group: Health Reform Activities in the States

Health Care Reform and Medicaid Redesign



Exchange Administration Options

January 1, 2014:

The ACA requires a Health Benefit Exchange to be operational in every state

Wyoming's Choices:

- ☐ Statewide, State-administered Exchange
- ☐ Multi-State Exchange
- ☐ Federally Run Exchange

Option 1: Single State Exchange – The Pros

- Preserves Wyoming's decision making authority
- State maintains the ability to establish options with the best interests of the citizens of Wyoming in mind
- Promotes greater coordination of benefit and eligibility rules across health coverage programs
- Assure continuity of care for residents who churn between Medicaid and the Exchange
- Allows the State to leverage Exchange funds to enable enrollment of Wyoming residents in other public assistance programs vs. unknown Federal system
- May promote future State health reform initiatives

Option 1: Single State Exchange – The Cons

- The Exchange must be self-sustaining by January 1, 2015 even in states with smaller populations
- Budget and human capital constraints to create a new State-run program
- Challenge of keeping administrative costs low while providing high quality services to customers and carriers

Option 2: A Federal Exchange – The Pros

If Wyoming does not or cannot establish an Exchange, the Federal government will do so.

- Establishing and operating the Exchange becomes “someone else’s problem”
 - Administering
 - Financing
 - Staffing
 - Compliance

Option 2: A Federal Exchange – The Cons

If Wyoming does not or cannot establish an Exchange, the Federal government will do so

- The Exchange will still be a Wyoming Exchange but will be administered and governed by the Federal government so the Wyoming risk pool will be the same
- The State will maintain control over the market outside of the Exchange while the Federal government will control the market within the Exchange.
 - Strong and continuous coordination with the Federal government will be required to avoid risk selection issues.

Option 3: Regional/Multi-state Exchange – The Pros

- Creating one Exchange instead of a separate Exchange in each participating state
- Injecting additional expertise and resources into the process
- Opportunity to create a shared services model for administrative functions such as:
 - Call Center Activities
 - Exchange Website
 - Premium Tax Credit Cost-Sharing Calculator
 - Individual Responsibility and Cost-Sharing Reductions

Note: A shared services model can exist among two or more independent State Exchanges; a regional Exchange is not required.

Option 3: Regional/Multi-state Exchange – The Cons

- Would require a joint governance structure with other states
- Problems with creating a risk pool across state lines
- Standardizing insurance rules and regulations among the states
- Developing provider networks across the participating states
- In case of shared services
 - May be subject to “hold-up”
 - Would have to compromise with other state’s desires

General Discussion on Exchange Administration



Exchange Governance Options

State Agency

Independent Public
Agency

Non-Profit Agency

Option 1: State Agency: Advantages & Disadvantages

Advantages	Disadvantages
<ul style="list-style-type: none">• Existing infrastructure	<ul style="list-style-type: none">• May overburden existing staff
<ul style="list-style-type: none">• Established communication lines	<ul style="list-style-type: none">• More restrictive hiring process
<ul style="list-style-type: none">• Leverages existing resources	<ul style="list-style-type: none">• More susceptible to political influence
<ul style="list-style-type: none">• Less chance of regulatory confusion	<ul style="list-style-type: none">• Potential for conflict of interest

Option 2: Independent Public Agency

Advantages	Disadvantages
<ul style="list-style-type: none">• Possible exemption from State hiring requirements	<ul style="list-style-type: none">• May be more difficult communicating with existing State agencies
<ul style="list-style-type: none">• Less subject to political influence	<ul style="list-style-type: none">• Possibility of regulatory confusion
<ul style="list-style-type: none">• More visible to the public	<ul style="list-style-type: none">• Higher cost to establish initially

Option 3: Non-Profit Agency: Advantages & Disadvantages

Advantages	Disadvantages
Possible exemption from State hiring requirements	Isolated from other State employees
Less subject to political influence	Less accountability
More flexibility in decision making	Possibility of regulatory confusion
	Higher cost to establish initially

Other States' Decisions

- Thirteen states that have made formal governance decisions.
- Four are planning an Exchange that exists within a government agency:
 - North Dakota – Department of Human Services and advisory committee
 - Utah – Office of Consumer Health Services
 - Vermont – Vermont Health Access Commissioner's Office and advisory committee
 - West Virginia – Insurance Commissioner's Office
- Seven states have established independent or quasi governmental agencies:
 - California, Colorado,
 - Connecticut, Massachusetts,
 - Maryland, Nevada,
 - Oregon
- Two have decided to house the Exchange as a separate, non-profit entity:
 - Hawaii
 - Washington

Exchange Governance Options – Additional Considerations

- A successful Exchange must have a steady source of funding which may be difficult if organized as or in a State agency
- Governing boards for non-State entities
- Conflicts of interest concerns

General Discussion on Exchange Governance



Exchange Resources and Capabilities

- “Build it” vs. “Buy it” decisions
- Understanding Core Exchange Functions
- Identification of Public and Private Resources Available
- Identification of Opportunities for Consolidation, Elimination and Administrative Efficiencies

“Buy it” vs. “Build it” decisions

- **Buy:** Purchase a service or use of an IT system from another state or CMS
 - Must be a good match in terms of the States’ visions of the Exchange
 - Seller state must be willing to handle extra workload & responsibilities
 - Buyer must be willing to give up some control
- **Build:** Create a new Exchange from scratch or by utilizing existing assets in the state and creating a new operational center

“Borrowing” and “Renting”

- **Borrow:** Utilize software and information from another state (or CMS) and configure the Wyoming Exchange from that starting point. Another option would be to share a vendor with another state.
 - Must be a good match in terms of the states’ visions
- **Rent:** Contract with a vendor that has IT solutions that can work for Wyoming.
 - Similar to the “buy” option, but with a vendor instead of a state
 - State would have to work closely with the state to explain its vision

Understanding Core Exchange Functions

- Qualified Health Plan (QHP) Certification
- Oversight and financial integrity
- Quality monitoring and improvement
- Call Center
- Navigator Program
- Website
- Outreach and Education

Qualified Health Plans (QHP)

Defined as a health plan that has:

- Been certified by the Exchange
- Provides the Essential Health Benefits package
- Is offered by a licensed health insurance issuer in the State and agrees to offer at least 1 Silver and 1 Gold plan in the Exchange
- May include Co-Op Plans and Multi-state QHPs
- May include direct Primary Care Medical Home plans
- Allows for premium variations by rating areas
- Meet provider network adequacy standards and make the provider directory available
- Must comply with State laws relating to the marketing of health insurance and must not discourage enrollees with significant health needs

Essential Health Benefits (To be expanded by HHS)

- Ambulance patient services
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental health and substance use disorder services including behavioral health treatment
- Prescription drugs
- Rehabilitative and habilitative services and devices
- Laboratory services
- Preventive and wellness services and chronic disease management
- Pediatric services including oral and vision care

Health Plans Offered In The Exchange

Five tiers based on Actuarial Value (AV)

Plan	Actuarial Value
Platinum	90%
Gold	80%
Silver	70%
Bronze	60%
Catastrophic	HDHP

Actuarial value is the percentage of medical claims covered by the plan's premiums versus point of service out-of-pocket expense

High Deductible Health Plans (HDHP)

- Cost-sharing (e.g., co-pays, co-insurance, deductibles) maximums for all plans based on high deductible health plan limits.
- Calendar Year 2011 HDHP limits:
 - ✓ \$5,950 for single coverage
 - ✓ \$11,900 for family coverage
- Preventive care must be covered without cost sharing and is exempt from any deductible.

Market Functions

Individual Market

- Individual eligibility determinations and appeals
- Facilitation of enrollment in QHP's
- Premium tax credit and cost sharing reduction calculators
- Exemptions from Individual coverage requirements

SHOP Market

- Small business eligibility determination
- Enrollment facilitation
- Premium aggregation for qualified employers
- Assure employers offer coverage to all full-time employees

Identification of Public and Private Resources Available

Three Key questions to consider:

1. What current business processes or technical systems in Wyoming's State agencies are similar to those required of the Exchange?
2. To what extent would these processes or systems need to be modified to fit the specific requirements of the Exchange?
3. Are those modifications more or less costly and burdensome to the State than building a new process or procuring a new system?

General Discussion on Exchange Resources and Capabilities



Exchange Risk Pool Sustainability

- The concept of adverse selection
- What this means to the Wyoming HBE
- Impact of guaranteed issue requirements
- Impact of new rating rules
- Impact of financial subsidies to purchase coverage
- New enrollees: “Young & Healthy” vs. “Old & Sick” ?

Important Note: This is not a **new** risk pool. Insurers must include HBE and Non-HBE business in the same pool

Options to Consider for the Wyoming HBE Risk Pool

- Apply the same rules both inside and outside the Exchange
- Require Insurers to sell the same products inside and outside the Exchange
- Increase the size of the risk pool (50 to 100 employee groups)
- Utilize temporary reinsurance mechanism (*not optional*)
- Utilize temporary risk corridor program (*not optional*)
- Experience of Wyoming Health Insurance Pool (WHIP)

Risk Mitigation Measures in the ACA

- Shift to modified community rating and guaranteed issue bring potential for adverse selection.
- Residents with pre-existing conditions who may have been denied coverage previously, or who never applied, or were “rated up” – charged a higher premium – will now have access to coverage at the same price as “healthy” individuals.
- Each carrier will establish one risk pool for individual market and one risk pool for small group market.

Risk Mitigation Measures in the ACA

Three risk mitigation provisions are included in the Affordable Care Act:

1. Transitional Reinsurance – State administered, temporary
2. Risk Corridors – Federally administered, temporary
3. Risk Adjustment – State administered, permanent

Transitional Reinsurance

Purpose:

- Limit carriers' financial exposure associated with covering "high risk" individuals for first three years (2014 – 2016)

How It Works:

- State establishes reinsurance program and designates entity to collect payments from all insurers and third party administrators operating in the State.
- Carriers in the individual market receive payments to cover a portion of the cost of insuring "high risk" individuals.

Risk Corridors

Purpose:

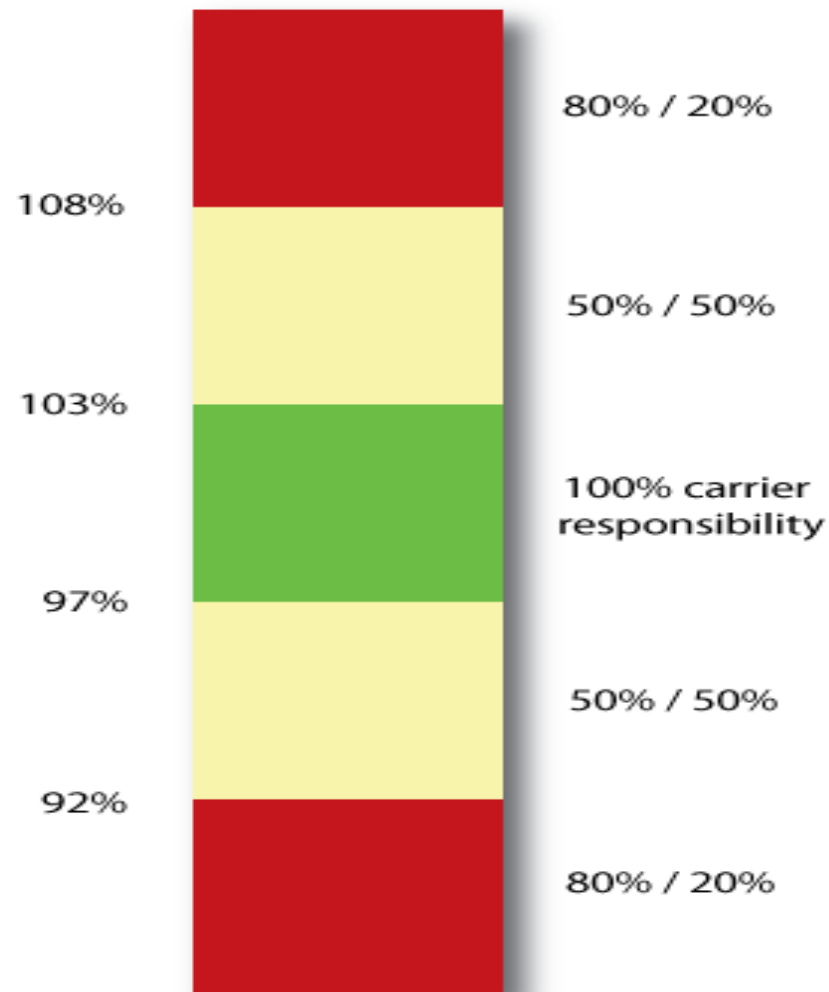
- Provide aggregate stop-loss coverage (i.e., insurance for insurers) for carriers in the individual and small group markets.

How it works:

- Carriers with aggregate claims that exceed 103% of premiums (excluding administrative costs) will have a portion of the excess costs covered by the risk corridor program; and
- Carriers with aggregate claims that are less than 97% of premiums (excluding administrative costs) will pay a portion of the excess premiums to the risk corridor program.

Risk Corridors

Medical Claims as a % of Premiums
(excluding admin)



Risk Adjustment

Purpose:

- Mitigate the costs associated with adverse selection in the individual and small group markets.

How it works:

- Shifts funds from insurers in the individual and small group markets that enroll “more healthy” people to insurers that enroll “less healthy” people.

General Discussion on Exchange Risk Pool Sustainability



Exchange Financial Sustainability

The ACA requires the Exchange to have adequate financial management systems and provide efficient and effective accountability and control of all property, funds, assets and related grants and cooperative agreements.

Budget development – areas to be examined:

- Staff salaries and benefits
- General administrative services
- Consultants and professional support
- Facility costs
- Maintenance
- Information technology and communication
- Marketing and outreach
- Eligibility, enrollment and premium billing services
- Evaluation plan and enforcement of the individual mandate and appeals

Exchange Funding – Federal Funds through 2014

- Currently operating under a federal planning grant in order to study how best to create an Exchange
- Next step: Level One Health Insurance Exchange Establishment Cooperative Agreement from HHS
- Future funding: Reapply for additional Level One funds or move to a Level Two Establishment.

Application Deadlines:

Level One: 9/30/2011 and 12/30.2011

Level Two: 9/30/2011, 12/30/2011, 3/30/2012 & 6/29/2012

Possible Funding Methods

- Retention of a portion of premiums from health plans offering coverage through the Exchange (Massachusetts)
- Assessing a surcharge on top of the premiums paid by consumers (Utah)
- Assessing state fees on businesses that do not offer insurance to employees
- Establishing a premium tax on all health carriers, regardless of Exchange participation (California)
- Creating a hospital surcharge on services
- Allowing insurers to advertise other product offerings (e.g. supplemental lines, life insurance, long-term care) on the Exchange website
- Selling general advertising on Exchange website

Final Questions and Discussion

